

TVA Board Takes Action to Improve TVA's Operations and Financial Health

November 14, 2013

OXFORD, Miss. — The Tennessee Valley Authority board of directors took action Thursday to further diversify TVA's power generating mix to keep pace with changing economic and regulatory conditions, and in keeping with TVA's commitment to keep electric rates low and reliability high.

TVA must respond immediately to challenging trends in lower power demand, a slow economy, uncertainty in commodity pricing, and tougher environmental requirements, particularly on air emissions, TVA President and CEO Bill Johnson said.

"This will support our focus on cleaner energy and bring additional, necessary balance into our portfolio for managing our current and projected load profile," Johnson told the board.

"Over the past months, we considered a number of capacity studies, including TVA's 2011 Integrated Resource Plan and associated financial and environmental analyses. We also looked hard at the effect on rates, our employees and any potential economic impact to local communities."

The board approved a coal fleet plan that will retire eight coal units at three plant sites with more than 3,000 megawatts of combined generating capacity. A number of these units were already idled or scheduled for idling and/or retirement based on an agreement with the Environmental Protection Agency. The retirements affect all five coal units at the Colbert Fossil Plant in Tuscumbia, Ala.; one of two operating coal units at Widows Creek Fossil Plant in Stevenson, Ala., and two of three coal units at the Paradise Fossil Plant near Central City, Ky. Paradise Unit 3, one of TVA's largest coal units, will continue to operate.

TVA conducted detailed analyses including an Environmental Assessment to review options for meeting stricter air quality regulations at the Paradise plant, including installing additional emission controls on Units 1 and 2, building a new gas-fired generating plant at the site or taking no action.

Based on that review, the board on Thursday approved the construction of a gas-fired plant at Paradise. This will result in an investment of approximately \$1 billion at the site. The two coal units will be retired when the gas plant is available.

The new plan, which does not affect the FY 2014 budget approved by the board in August, moves TVA toward a more balanced generation fleet of about 40 percent nuclear, 20 percent coal, 20 percent gas and 20 percent hydro, renewables and energy efficiency. This more diversified portfolio will help TVA manage load growth and provide maximum flexibility, and is consistent with the range of options analyzed in TVA's 2011 Integrated Resource Plan, which is now being updated.

"These were difficult recommendations to make as they directly impact our employees and communities," Johnson said. "But the plan is what's best in terms of its positive impact on TVA's rates, debt and the environment; and it will bring the greatest benefit to the people of the Valley." The board delegated authority to Johnson to establish a schedule for the coal unit retirements.

FY13 Performance

In reviewing TVA's performance for the 2013 fiscal year, Johnson said TVA had a good year with solid financial and operational performance. He said employees had worked safely and found ways to reduce operating and maintenance costs significantly.

"I appreciate the effort made by employees," Johnson said. "They have made a difference and helped us stay focused on our goal of reducing our O&M expenses by \$500 million by 2015, and sustaining that reduction in order to live within our means.

"I want to give a big 'thank you' to all of my fellow employees for their effort and commitment."

Johnson highlighted key performance achievements for the year including TVA employees delivering electricity with 99.999 percent reliability for the 14th year in a row, generating more than 57 percent of TVA's power from cleaner energy sources, and producing the most hydro power ever generated in a single year resulting in lowered fuel costs for all TVA customers.

In addition to the operational performance, TVA, through its economic development efforts and partnerships helped attract or retain 52,000 jobs across the region along with a capital investment of about \$5 billion.

TVA will hold a call Monday, Nov. 18, with investors and news media to review its FY 2013 financial performance. The 10-K annual report will be available the same day.

In other board action, the nine-member board:

- Extended Director Bill Sansom's term as chairman until his board term ends in May 2014, and established a practice to aid the board in selecting future board chairs.
- Recognized the service of Director Neil McBride, whose term ends this year.
- Approved tax equivalent payments of \$522 million to be paid to state and local governments during fiscal year 2014, based on TVA's fiscal year 2013 sales revenues.

The Tennessee Valley Authority is a corporate agency of the United States that provides electricity for business customers and local power distributors serving 9 million people in parts of seven southeastern states. TVA receives no taxpayer funding, deriving virtually all of its revenues from sales of electricity. In addition to operating and investing its revenues in its electric system, TVA provides flood control, navigation and land management for the Tennessee River system and assists local power companies and state and local governments with economic development and job creation.

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